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SUBJECT: CASPIAN BASIN ENERGY DIPLOMACY AMBASSADOR MANN

DISCUSSES CASPIAN ISSUES WITH TURKISH ENERGY MINISTER GULER

Classified by Econ Counselor Thomas Goldberger for reasons 1.5 (b) and (d).

1. (C) Summary: EUR Ambassador Steven Mann encouraged Turkish Energy Minister Guler to work together with the United States to promote Caspian natural gas exports through Turkey to Europe, but cautioned about Iranian gas transitting Turkey. Guler noted Turkey's difficult relationship with Iran and urged support for an alternative -- a pipeline bringing gas from Turkmenistan. Saying that it is up to the market to decide if a Bosphorus bypass pipeline makes sense, Mann urged Guler to approve the license application for the Thrace bypass proposal. End Summary.

2. (SBU) Ambassador Mann met with Turkey,s Energy Minister Hilmi Guler on June 16, on the margins of the Tale of Three Seas Energy Conference in Istanbul. (Other meetings reported septel.) Mann urged Guler to think of ways the U.S. and Turkey can work together to promote natural gas exports from the Caspian region via Turkey into Europe. However, Mann warned against the transit through Turkey of Iranian gas -- whether through the proposed Nabucco pipeline or through the proposed Turkey-Greece interconnector project. Mann said the transit of Iranian gas "would endanger US-Turkish energy cooperation and open the way for possible penalties and sanctions."

3. (SBU) Guler explained Turkey's difficult relationship with Iran and warned that Iran and Russia are working together to control natural gas exports to Europe -- they do not want competition to emerge. Guler appealed for USG help in developing alternative sources of supply to fill Europe,s growing demand. He said he had discussed with Azerbaijan President Aliiev the construction of a pipeline connecting Turkmenistan,s gas fields with the Shah-Deniz line in Azerbaijan. Guler noted that the southern portion of the Caspian is only 300-400 feet deep, so the pipeline could be built for less than \$1 billion, and it would solve Turkmenistan,s problem with the Iranians. Aliyev is open to this idea, according to Guler, and promised to discuss with the Turkmenbashi.

4. (C) Mann explained his skepticism about the prospects for a deal with Turkmenistan,s President Niyazov. The USG still strongly favors alternative routes for Caspian region gas -- including the proposed Turkmenbashi-Baku route -- but given Niyazov,s fears of Russia and his dysfunctional decisionmaking style, we do not expect to achieve any progress. Mann reminded Guler of Kazakhstan President Nazarbayev,s continued interest in exporting gas and asked Guler to explore options to ship Kazakhstan natural gas through Turkey. He recalled that Nazarbayev, at the 1999 Istanbul Summit, wrote on the document on Caspian exports "and 20 bcm/y of Kazakhstan natural gas for the European market."

5. (C) Turning to the issue of proposals for a Bosphorus bypass pipeline, Mann told Guler that the USG does not favor one proposed pipeline route over another -- it is up to the market to decide. However, the USG does want the government of Turkey to move rapidly and transparently to approve the required paperwork for the license application for the Thrace bypass proposal (which has been pending for a year) so that the commercial options can move forward. Guler said that the license for the Thrace bypass was being held up by the MFA and MOD.

6. (SBU) In a separate meeting, MFA Deputy U/S Alev Kilic told Mann the GOT is still uneasy that the Thrace and other bypass pipeline options would affect the completion and full utilization of the Baku-Tbilisi-Ceyhan (BTC) pipeline. Mann stressed that BTC is far enough along toward completion and would not be adversely affected by the other bypass options. The USG had reached such a conclusion in June 2002, when it approved the TDA grant for a feasibility study for one of the options.

7. (U) Ambassador Mann cleared this cable.  
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